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ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total domestic products supplied in September rose 2.2% over year-earlier levels, almost the same as the 2.3% increase for the third quarter as a whole. Product supplied levels had risen about 7% and 5%, respectively, during the first and second quarters of the year when compared with corresponding year-earlier quarters. The lower rate of increase during the third quarter generally parallels the behavior of the economy, which also experienced slower growth during that period. Attached Exhibit I shows year-to-year changes in GNP and total products supplied since 1982 by quarter.

Both in September and during the third quarter as a whole increases in light product deliveries were major contributors to the year-to-year increases. Residual fuel oil deliveries, while at almost the same level in September as a year ago, were still more than 5% below last year for the third quarter.

Crude oil production, though rising only 0.4% above last year's level, reached the highest September level in more than a decade. Imports fell almost 560 MBD, or close to 10%, during September and experienced a similar decrease for the third quarter as a whole; about three-quarters of the third-quarter imports decrease resulted from lower crude oil imports. Inventories fell almost 9 million barrels in September as uncertain crude markets in earlier months continued to affect crude oil imports. Inventories normally rise by a roughly equal amount in that period.

Rig activity was about 7% ahead of last year in September and rose 12% for the year to date. However, it has changed little since the early part of 1984 on a deseasonalized basis. Wells reported drilled rose by roughly 43% in August over low year-earlier levels. September data are not yet available.

PRODUCTS SUPPLIED[1/]

Gasoline

UP 1.2% FOR THIRD QUARTER.

Gasoline deliveries rose 84 MBD (1.2%) over the year-earlier level in September and increased at the same rate for the quarter. In the case of gasoline, too, year-to-year increases slowed somewhat during the third quarter; the average increase for the first half had approximated 1.8%.

Pump prices rose about 1¢ in September over the prior month's, but, adjusted for inflation, were almost 10¢ (7%) below year-earlier levels (1984 dollars).

Unleaded gasoline represented 60% of total motor gasoline demand during September and the third quarter as a whole, a roughly five percentage point year-to-year advance. Nine months sales of new cars have exceeded last year's levels by more than 10%, contributing to the fleet's needs for an increasing share of unleaded gasoline.

Attached Exhibit II compares the quarterly trend of deseasonalized gasoline demand since 1982 with the path of inflation-adjusted gasoline prices and disposable income. The decline in gasoline prices that began soon after decontrol in early 1981 continued almost uninterruptedly into 1983 and 1984, though there has been a slight increase in prices since mid-August. The effect of rising real income (up about 7% year-to-year) and falling prices, which combined to gradually boost gasoline demand, has been offset to a significant degree by growing engine efficiency.

Distillates

DELIVERIES UP ALMOST 7% IN THIRD QUARTER.

Distillate deliveries in September were 160 MBD (6.2%) ahead of last year; this year's third quarter exceeded the corresponding 1983 period by a roughly similar margin (up 163 MBD-6.7%). Year-to-year increases in truck and rail traffic during the past three months have been below those of the first six months of the year. They continue to account, however, for a significant portion—almost two-thirds—of the quarter's year-to-year increase. There may have also been sizable additions to secondary inventories compared with last year since mid-September in preparation for the heating season.

Residual Fuel Oil

THIRD QUARTER DELIVERIES DOWN 5%.

The level of residual fuel oil supplied was only 1% below last September's but deliveries for the third quarter as a whole were still more than 5% (about 69 MBD) below year-earlier levels.

On the basis of latest available reports, bunker fuel deliveries in recent months have fallen short of prior-year levels by an average of about 40 MBD. With a significant portion of total world shipping activity dedicated to the movement of petroleum, the continuing uncertainty in world oil markets that prevailed during most of the third quarter has had a dampening effect on overall worldwide shipping activity.

Deliveries of residual fuel oil to electric utilities declined by about 90 MBD in July. Data for the remainder of the third quarter are not yet available. However, total third-quarter electricity generation, as a combined result of cooler weather and lower increases in overall economic activity, showed no significant change versus the prior year. This compares with 7-8% advances during the first six months of the year. Thus the electic utilities' purchases of residual fuel oil are estimated to be down some 90-100 MBD in the third quarter from last year's third quarter. The fact that share-of-input statistics for electricity generation continue to show a trend of continued deterioration of petroleum's position (mainly represented by residual fuel oil) supports this contention. Petroleum's share decreased almost a full percentage point—to 5.3%—for the first half of 1984 versus the like 1983 period.

Decreases in the bunker and electric utility sectors have been partially offset by increased deliveries to the industrial sector. In the main, this increase simply reflects the fact that residual fuel oil deliveries reached 1983 lows in the third quarter. However, the strength of the economy has contributed—though not proportionately—to increased demand in the industrial sector.

Prices for natural gas have been relatively stable over the past year. Residual fuel oil prices decreased during July and early August but recouped part of their decline during the remainder of the quarter. As a result, the predominantly dual-fuel-capability users of the industrial sector have had no decisive incentive to switch fuels.

Kerosine Jet Fuel

UP 8% IN THIRD QUARTER.

Deliveries of kerosine jet fuel exceeded last year's level both for September and the third quarter by roughly the same margin. The 8.2% year-to-year increase during the third quarter is roughly in line with recent-months' increase in miles flown (about 10%), though measures to increase efficiency are apparently continuing. The larger year-to-date increase—about 11½%—resulted from filling of depleted storage at the beginning of the year and perhaps some transfers to heating oil use.

Other Oils

UP 3% IN THIRD QUARTER.

Year-to-year advances in deliveries of other oils earlier in the year did not materialize in September; delivery levels were exactly equal to those of a year earlier. A modest 2.8% advance took place for the third quarter as a whole. The chemical industry's sales pace continues to be strong, but recent year-to-year increases may be somewhat less than occurred earlier in the year. In addition, industry reports indicate that inventory increases this year have been at only half the rate of sales gains.

(In millions of B/D)	SEPTEMBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total domestic products supplied	15.9	15.5	2.2	15.8	15.1	4.7
—Motor gasoline supplied	6.8	6.7	1.2	6.7	6.6	1.6
—Distillate fuel oil supplied	2.7	2.6	6.2	2.9	2.6	10.1
—Residual fuel oil supplied	1.3	1.4	(1.2)	1.4	1.4	0.8

SUPPLY[1/]

Total supply was 461 MBD less in September than a year earlier; a decrease of about 560 MBD in imports was partly offset by a roughly 100 MBD increase in total domestic supply.

Production

OUTPUT UP 1.0% IN THE THIRD QUARTER.

Crude production rose 0.4% in September; output was 1.0% ahead of last year during the third quarter. Current output of 8,820 MBD is the highest September level since 1973 and the highest for any month since late 1978. Output from new wells has been large enough to more than offset natural production declines. Lower 48 production increases have contributed to the overall increase. As a result, current lower 48 output is some 1.5 million barrels per day greater than might have been expected had the price controls of the seventies continued.

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Imports

DOWN 10% IN THIRD QUARTER.

Imports fell 557 MBD (9.6%) in September and declined at almost the same rate for the third quarter as a whole (571 MBD - 10.0%). The third quarter decrease contrasts with 40.3% and 9.5% increases in the first and second quarters, respectively. A substantial portion of the large first-quarter increase was the result of reduced imports due to price uncertainty in world markets during the comparable 1983 quarter. There is little doubt that recent decreases were similarly motivated, as substantial production and price fluctuations over the summer again created a reluctance to purchase petroleum, which is now showing up as reduced imports.

Sources of imports into the U.S. have not changed dramatically during the past few months with imports from Saudi Arabia a major exception. In July, for example, the latest month available, Saudi Arabia was in fourth place with 429 MBD, following Mexico, Canada, and Venezuela. In contrast, July 1983 import data saw Saudi Arabia in tenth position with an average of 182 MBD.

Net dependency on foreign sources (gross imports less exports) decreased by almost five percentage points during the third quarter compared to last year's third quarter. For the year-to-date, however, it showed a roughly two percentage point increase. This divergence in trends resulted from the uncertainty-related drop in imports in the third quarter while demand continued to be ahead of last year, albeit rising at a slower rate.

Inventories

DROPPED COUNTER-SEASONALLY.

Total inventories fell about 9 million barrels in September. The failure of total inventories to rise in line with normal seasonal patterns is the result of lower imports arising from recent market uncertainties. The adjustment of gasoline inventories during the past quarter was, however, also a major factor in holding down inventories. Earlier this year, with gasoline production at higher levels than merited by demand, gasoline output was rising in tandem with additional distillate output. Gasoline inventories represented a roughly-normal 34 days of supply at the end of September.

Production of distillates was slightly below last September's level but has exceeded prior-year levels in every other month this year. As a result, distillate output averaged about 260 MBD more for the first nine months of 1984 than a year ago. In addition, distillate imports were more than 100 MBD above last year. That the recent-months' distillate build-up has nevertheless been somewhat slower than normal resulted at least in part from the fact that distillate demand has continued to exceed expectations. However, while distillate inventories are lower, there exists substantial additional refinery capacity and continued ready availability of distillate imports.

Refinery Operations

UTILIZATION AT 78%.

Utilization in September continued at roughly the same 78% rate as last year and was close to the prior-month level. During the quarter, refinery utilization increased about two percentage points above last year's level, mainly as a result of lower operating capacity.

Exploration

HIGHER ACTIVITY LEVELS THAN LAST YEAR

Rig activity was about 7% ahead of last year in September, but, adjusted for seasonal factors, has changed little since the early part of 1984. Wells reported drilled rose by roughly 43% in August 1984 over abnormally-low year-earlier levels, paced by a 50% increase in oil wells reported. September data are not yet available.

A longer-range indicator, the seismic crew count, showed a 12% increase in September over year-earlier levels.

(In millions of B/D)	SEPTEMBER ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	16.3	16.7	(2.8)	16.5	15.7	5.0
—Crude production[2/]	8.8	8.8	0.0	8.8	8.7	1.1
—Crude oil imports[3/4/]	3.5	3.9	(11.5)	3.2	3.1	5.1
—Product imports	1.8	1.9	(5.6)	2.0	1.7	17.8

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

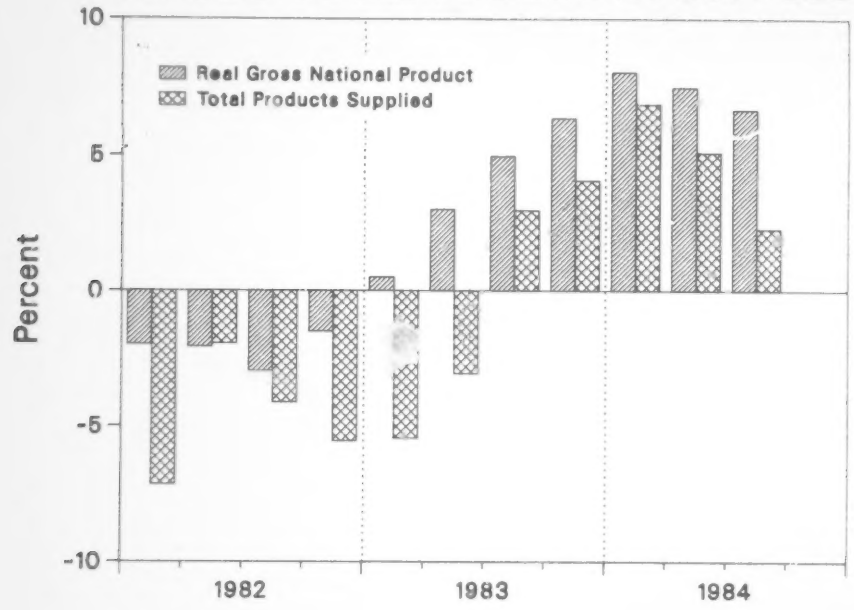
2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 431 million barrels as of September 30, 1984).

Exhibit I

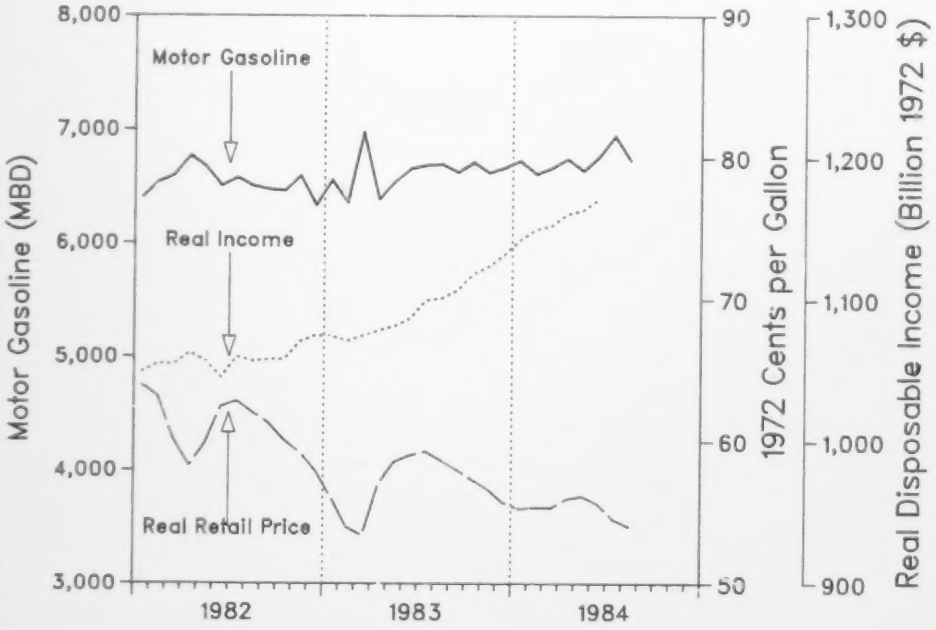
YEAR-TO-YEAR CHANGE IN GNP VERSUS TOTAL PRODUCTS SUPPLIED



Sources: Department of Commerce, Department of Energy, American Petroleum Institute

Exhibit II

SEASONALLY ADJUSTED MOTOR GASOLINE SUPPLIED, REAL GASOLINE PRICES, AND REAL DISPOSABLE PERSONAL INCOME



Sources: Department of Energy, American Petroleum Institute, Oil and Gas Journal, Department of Commerce

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	SEPTEMBER			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	6,811	6,727	1.2	6,706	6,603	1.6
Finished leaded motor gasoline*	2,716	3,036	(10.5)	2,768	3,004	(7.9)
Finished unleaded motor gasoline*	4,095	3,691	10.9	3,938	3,599	9.4
Naphtha-jet	257	195	31.8	227	212	7.1
Kerosine-jet	952	881	8.1	923	828	11.5
Distillate fuel oil	2,736	2,576	6.2	2,865	2,602	10.1
Residual fuel oil	1,335	1,351	(1.2)	1,440	1,429	0.8
All other oils[4]	3,989	3,989	-	3,839	3,549	8.2
Reclassified[5]	- 228	- 212	7.5	- 226	- 159	42.1
Total domestic products supplied	15,852	15,507	2.2	15,774	15,064	4.7
Exports	720	684	5.3	700	776	(9.8)
Total products supplied	16,572	16,191	2.4	16,474	15,840	4.0
Supply:						
Domestic production:						
Crude oil[6]	8,820	8,784	0.4	8,799	8,702	1.1
Natural gas liquids	1,644	1,602	2.6	1,616	1,546	4.5
Other supply[7]	555	537	3.4	837	671	24.7
Total domestic supply	11,019	10,923	0.9	11,252	10,919	3.0
Imports:						
Crude oil, total	3,453[10/]	3,902[10/]	(11.5)	3,238[10/]	3,080[10/]	5.1
Canadian	285	272	4.8	320	268	19.4
Other	3,168	3,630	(12.7)	2,918	2,812	3.8
Products, total	1,811	1,919	(5.6)	1,984	1,684	17.8
Residual fuel oil	582	706	(17.6)	708	703	0.7
Other	1,229	1,213	1.3	1,276	981	30.1
Total imports	5,264	5,821	(9.6)	5,222	4,764	9.6
Total supply	16,283	16,744	(2.8)	16,474	15,683	5.0
Stock change, all oils	- 289	+ 553	XXXX	-	- 157	XXXX
Refinery Operations						
Input to crude oil distillation units	12,499	12,731	(1.8)	12,256	11,973	2.4
Operable capacity	16,074	16,296	(1.4)	16,105	16,780	(4.0)
Refinery utilization (%)[8]	77.8%	78.1%	(0.4)	76.1%	71.4%	6.6
Crude oil runs	12,369	12,482	(0.9)	12,095	11,690	3.5

Stocks (millions bbls.)	1984		1983[2]	% Change from . . .	
	Sep. 30[9]	Aug. 31[9]	Sep. 30	Previous Month	Year Ago
Crude oil [10/]	330.4	341.6	346.7	(3.3)	(4.7)
Unfinished oils	108.9	105.8	112.9	2.9	(3.5)
Total motor gasoline**	228.8	226.3	229.1	1.1	(0.1)
Finished leaded motor gasoline*	84.5	86.8r/	94.6	(2.6)	(10.7)
Finished unleaded motor gasoline*	105.2	101.5r/	94.7	3.6	11.1
Naphtha-jet	6.9	7.3	6.6	(5.5)	4.5
Kerosine-jet	38.9	39.0	34.9	(0.3)	11.5
Distillate fuel oil	143.1	137.0	154.0	4.5	(7.1)
Residual fuel oil	47.5	47.7	49.7	(0.4)	(4.4)
All other oils	169.8	178.3r/	190.4	(4.8)	(10.8)
Total all oils	1,074.3	1,083.0r/	1,124.3	(0.8)	(4.4)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-July, U.S. Department of Energy, August-September, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	3rd QUARTER		
	1984[1]	1983[2]	% Change
Products Supplied:			
Total motor gasoline	6,894	6,810	1.2
Finished leaded motor gasoline*	2,746	3,052	(10.0)
Finished unleaded motor gasoline*	4,148	3,758	10.4
Naphtha-jet	250	212	17.9
Kerosine-jet	935	864	8.2
Distillate fuel oil	2,608	2,445	6.7
Residual fuel oil	1,281	1,350	(5.1)
All other oils[3]	3,944	3,838	2.8
Reclassified[4]	- 228	- 184	23.9
Total domestic products supplied	15,684	15,335	2.3
Exports	672	639	5.2
Total products supplied	16,356	15,974	2.4
Supply:			
Domestic production:			
Crude oil[5]	8,790	8,699	1.0
Natural gas liquids	1,636	1,567	4.4
Other supply[6]	652	569	14.6
Total domestic supply	11,078	10,835	2.2
Imports:			
Crude oil, total	3,361 9/	3,790 9/	(11.3)
Canadian	274	301	(9.0)
Other	3,087	3,489	(11.5)
Products, total	1,765	1,907	(7.4)
Residual fuel oil	575	710	(19.0)
Other	1,190	1,197	(0.6)
Total imports	5,126	5,697	(10.0)
Total supply	16,204	16,532	(2.0)
Stock change, all oils	- 152	+ 558	XXXX
Refinery Operations			
Input to crude oil distillation units	12,426	12,565	(1.1)
Operable capacity	16,078	16,630	(3.3)
Refinery utilization (%)[7]	77.3%	75.6%	2.2
Crude oil runs	12,282	12,330	(0.4)

Stocks (millions bbls.)	3rd QUARTER		
	1984[8]	1983[2]	% Change
Crude oil	330.4 9/	346.7 9/	(4.7)
Unfinished oils	108.9	112.9	(3.5)
Total motor gasoline**	228.8	229.1	(0.1)
Finished leaded motor gasoline*	84.5	94.6	(10.7)
Finished unleaded motor gasoline*	105.2	94.7	11.1
Naphtha-jet	6.9	6.6	4.5
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Total all oils	1,074.3	1,124.3	(4.4)

1/ Source: U.S. Department of Energy. July; August-September, API.
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3/ Includes crude losses.
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6/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
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8/ Derived by interpolating API weekly stocks data.
9/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.